



Certification report 2012/13 for West Lancashire Borough Council

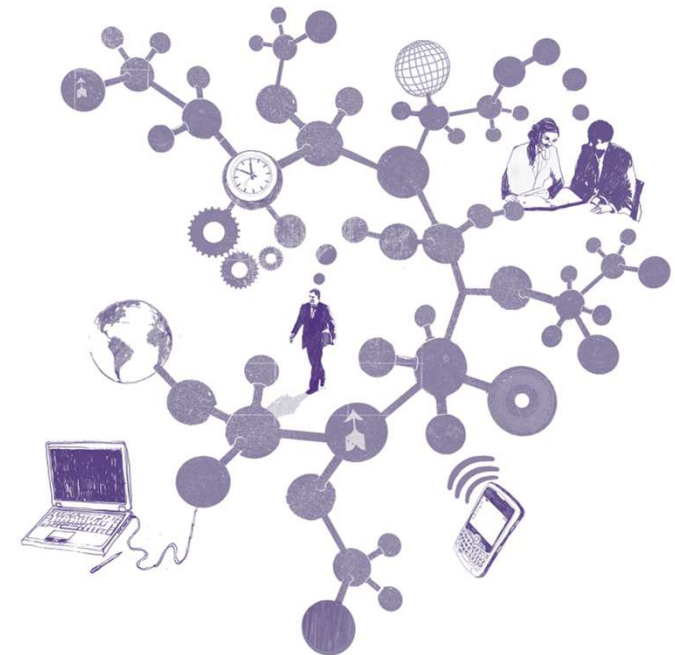
Year ended 31 March 2013

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Section 1: Executive summary

01. Executive summary

02. Results of our certification work

Arrangements for certification for claims and returns:

- below £125,000 – no certification
- above £125,000 and below £500,000 – agreement to underlying records
- over £500,000 – agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Executive summary

Introduction

We are required to certify certain of the claims and returns submitted by West Lancashire Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified 3 claims and returns for the financial year 2012/13 with a total value of £75.5 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	All claims were submitted and certified in accordance with government departmental deadlines	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	<p>Errors were identified relating to the Council's Housing and Council Tax Benefit Subsidy claim. The extrapolated impact on the claim was reported to the Department of Work & Pensions (DWP) in a qualification letter.</p> <p>We were unable to fully address our testing requirements in relation to the Council's National Non Domestic Rates (NNDR) return. This was reported to the Department for Communities & Local Government (DCLG) in a qualification letter.</p>	●
Supporting working papers	Supporting working papers for the claims and returns were of a good, standard which enabled certification by the deadlines. However there was an unexplained difference between the NNDR system and the Ledger.	●

The way forward

In Appendix B, we set out recommendations to address the key messages above and other findings arising from our certification work. Implementing the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of potential repayment of grant and additional certification fees.

Housing & Council Tax Benefits

The Council and its Housing & Council Tax Benefits service provider should undertake a joint review to consider the error types identified by our audit and the work of Internal Audit, and determine the reasons for these errors. The aim of this review should be to identify:

- actions required to reduce claim errors across benefit categories and types; and
- how the testing and quality assurance procedures for processing can be improved.

National Non-Domestic Rates

The Council should ensure all entries are supported by comprehensive working papers.

Acknowledgements

We would like to take this opportunity to thank officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
December 2013

Section 2: Results of our certification work

01. Executive summary

02. Results of our certification work

Results of our certification work

Key messages

We have certified 3 claims and returns for the financial year 2012/13 relating to expenditure of £75.5 million..

The Council's performance in preparing claims and returns is summarised below:

Performance measure	Target	Achievement in 2012/13		Achievement in 2011/12		Direction of travel
		No.	%	No.	%	
Claims submitted on time	100%	2	67	3	75	↓
Claims certified on time	100%	3	100	4	100	↔
Claims certified with amendment	0%	1	33	1	25	↓
Claims certified with qualification	0%	2	67	2	50	↓

Details of the certification of all claims and returns are included at Appendix A.

Significant findings

Our work has identified the following issues in relation to the management arrangements and certification of individual grant claims and returns:

The Council's service provider, One Connect Limited (OCL) introduced a new integrated Council Tax, NNDR and Housing & Council Tax Benefits system – Northgate - in January 2013. Whilst OCL managed risks around the data migration, transfer, cleansing and staff training our audit highlighted the following issues.

Housing Benefit and Council Tax Subsidy Claim

Significant errors were identified in the 2012/13 Housing & Council Tax Benefits claim and a qualification letter has been issued to the Department for Work & Pensions (DWP).

We undertook our audit work in accordance with the methodology for certifying the Housing benefit and Council Tax Subsidy Return agreed between the DWP and the Audit Commission. This is known as HB Count and it includes a two stage approach to testing and reporting extrapolated error values.

Our initial testing of twenty cases for each benefit type, identified a range of errors including:

- incorrect application of Local Housing Allowance (LHA) rates;
- misclassification of overpayments; and
- underpayment of benefit entitlement.

In accordance with agreed methodology we undertook testing of a further 280 cases. This identified additional errors. The extrapolated impact on the claim was £25,680. This was included in our report to DWP . If DWP amend the subsidy claim to reflect this extrapolation, the potential reduction in subsidy to the Council is approximately £90,000.

Results of our certification work

Significant findings

National Non Domestic Rates Return

Before submitting the NNDR return to us for audit, the Council identified a difference between its general ledger and the new Northgate system of £1,347,436.80. This related to very old cases transferred to the new system where reliefs and exemptions cannot be brought forward. However, we were not able to agree this to detailed supporting systems reports and the matter was therefore reported to the Department for Communities & Local Government (DCLG).

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £17,400

Appendices

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing & Council Tax Benefits	£39.025m	Yes	£276	Yes	<p>Local Housing Allowance</p> <ul style="list-style-type: none"> Our initial testing identified an error in applying Local Housing Allowance (LHA) rates. A further 160 cases were tested by OCL staff and we re-performed a sample of their work. Four further errors were identified. The extrapolated error was £18,628. <p>Overpayment misclassification</p> <ul style="list-style-type: none"> Our initial and extended testing covered 170 cases across all 3 benefit types. We identified 9 cases where overpayments had been incorrectly classified as eligible claimant error when they were the result of local authority error. The extrapolated error was £7,052 <p>Underpayment of benefit</p> <ul style="list-style-type: none"> Across all areas we tested 395 cases, among these 7 claims were identified where benefit entitlement totalling £2,037.96 had been underpaid. These claims have now been corrected and the correct benefit paid to the individual claimants affected. <p>Amendments</p> <ul style="list-style-type: none"> There were a small number of other amendments to the Housing and Council Tax Subsidy Claim. These were in respect of cases where we were able to isolate the cause of the error and test the entire population. The amendments totalled £276.

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
					<p>Reporting</p> <ul style="list-style-type: none"> We have reported our findings and the extrapolated error to the DWP as required by the HB Count methodology. DWP will now consider the position and decide what action, if any, to take. Had the return been amended to reflect the extrapolated error values there would have been a reduction in subsidy of approximately £90,000.
National Non-Domestic Rate Return	£35.465m	No	N/A	Yes	<ul style="list-style-type: none"> The original NNDR return was submitted for audit ahead of the submission deadline of 30 June 2013. However, during our Opinion audit the Council identified a significant error in its completion and the claim was withdrawn. A corrected claim was provided for audit in August. The Council noted a difference between its general ledger and the new Northgate system of £1,347,436.80 relating to payments to the national NNDR pool, referred to as "Dataload Balance Corrections". These transactions represented old historic data primarily relating to cash which did not have an appropriate field within Northgate. We were not able to agree this difference to detailed supporting system outputs and reported this matter to DCLG.
Pooled Housing Capital Receipts Return	£1.040m	No	N/A	No	None

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

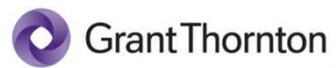
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
	Housing & Council Tax Benefits			
1	<p>The Council and OCL should undertake a joint review to; consider the error types identified by our audit and through Internal Audit work, and, determine the reasons for these errors. The aim of this review should be to identify:</p> <ul style="list-style-type: none"> actions required to reduce claim errors across all benefit categories and types; and how the testing and quality assurance procedures for processing can be improved. 	Medium	Agreed	<p>March 2014</p> <p>Transformation Manager supported by the Internal Audit Manager</p>
	National Non-Domestic Rate Return			
2	<p>Ensure that all entries, including adjustments within the return are fully supported by comprehensive working papers. This is especially important for entries that incorporate data from outside the NNDR system.</p>	Medium	Agreed	<p>June 2014</p> <p>Borough Treasurer</p>

Appendix C: Fees

Claim or return	2011/12 fee (£) *	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance year on year (£)
Housing & Council Tax Benefits Subsidy Claim	£28,340	£15,138	£15,138	Nil
National Non-Domestic Rates Return	£3,496	£1,914	£1,914	Nil
Pooled Housing Capital Receipts Return	£900	£348	£348	Nil
Housing Subsidy Claim	£5,083	Nil	Nil	Nil
Planning and Reporting	£473	Nil	Nil	Nil
Total	£38,291	£17,400	£17,400	Nil

* 2011/12 fee less 40% fee reduction applicable for 2012/13 onwards.



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